

VIRGINIA DEPARTMENT OF MINES, MINERALS & ENERGY

VIRGINIA GAS AND OIL BOARD

Minutes and results of Hearing, December 17, 2002

Board members present: Mr. Brent, Mr. McIntyre, Mr. Mitchell, Mr. Ratliff, Mr. Wampler

1. The Virginia Gas and Oil Board considered a petition from Columbia Natural Resources, Inc. for pooling of conventional gas unit CNR 24655, Rock Lick District, Buchanan Co., VA. VGOB-02-06/18-1038. Continued from November.

The petition was continued to January at the request of the applicant.

2. The Virginia Gas and Oil Board considered a petition from Columbia Natural Resources, Inc. for pooling of conventional gas unit CNR 24629, Rock Lick District, Buchanan Co., VA. VGOB-02-06/18-1039. Continued from November.

The petition was continued to January at the request of the applicant.

3. The Virginia Gas and Oil Board considered a petition from Pocahontas Gas Partnership for amendment of a pooling order and authorization for disbursement of escrowed funds and direct payment of royalties for Tracts 2 and 3, coalbed methane unit P-40, Garden District, Buchanan Co., VA. VGOB-93-02/16-0330-02. Continued from November.

The applicant has submitted a supplemental affidavit to the Board stating that conflicting owners of coalbed methane resources in Tracts 2 and 3 have entered into a royalty split agreement. The applicant seeks disbursement of escrowed funds attributable to the two tracts, and amendment of the pooling order to allow for direct payment of future royalties attributable to these tracts in accordance with the split agreement. The escrow sub-account for this unit will remain open due to the existence of other conflicting claimants. Disbursement of funds was approved.

4. The Virginia Gas and Oil Board was scheduled to hear an appeal of the Inspector's decision on IFFC-14402 regarding Columbia Natural Resources application for permit for operation CNR 24542 (HCS-8), Rocklick District, Buchanan Co.. VA. VGOB-02-12/17-1103.

The objecting party withdrew his appeal by letter to the director. The letter of withdrawal was presented to the Board and no further action was taken.

5. The Virginia Gas and Oil Board considered a petition from Buchanan Production Co. for pooling of a coalbed methane unit AY-100, Hurricane District, Buchanan Co. VA. VGOB-02-12/17-1104.

In the AY-100 unit, the applicant controls 100% of the coal interests and 89.95% of the gas interests, and seeks to pool the remaining 10.04% of the gas interests. Acreage subject to pooling totals 5.9 net acres in three tracts with over 50 unleased owners. There are conflicting claimants and unlocated owners subject to escrow, and owners subject to an existing royalty split agreement. A permit to drill the unit was issued on August 15, 2002. Pooling was approved.

6. The Virginia Gas and Oil Board considered a petition from Pocahontas Gas Partnership for modification of prior pooling orders for coalbed methane unit BA-112, New Garden District, Russell Co., VA. VGOB-01-04/16-1025-01.

The BA-112 unit was previously pooled by order of the Board executed on July 8, 2002. Subsequent to pooling, the applicant was made aware of the existence of an additional tract within the unit, and seeks to re-pool the unit to include the newly discovered tract and to adjust ownership percentages of other pooled parties. The applicant controls 100% of the coal interests and 69.8% of the gas interests, and seeks to re-pool the remaining 30.2% of the gas interests. Acreage subject to pooling totals 17.8 net acres in five tracts with over 50 unleased owner. There are conflicting claimants and unlocated owners subject to escrow, and owners subject to an existing royalty split agreement. A well was drilled in the unit in October, 2001, and the well is producing. Re-pooling was approved.

7. The Virginia Gas and Oil Board considered a petition from Columbia Natural Resources, Inc. for a well location exception for proposed well 825091 (PPN-32), Knox District, Buchanan Co., VA. VGOB-02-12/17-1105.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The well is to be 266 feet closer to gas well 24917 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. A permit application has been submitted. The location exception was approved.

8. The Virginia Gas and Oil Board considered a petition from Columbia Natural Resources, Inc. for a well location exception for proposed well 825070 (PPN-41) , Knox District, Buchanan Co., VA. VGOB-02-12/17-1106.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The well is to be 143 feet closer to gas well CNR-24728 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. A permit application has been submitted. The location exception was

approved.

9. The Virginia Gas and Oil Board considered a petition from Equitable Production Co. for a well location exception for proposed well V-535460, Ervinton District, Dickenson Co., VA. VGOB-02-12/17-1107.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The well is to be 200 feet closer to gas well P-32, and 256 feet closer to gas well P-408 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. A permit application has been submitted. The location exception was approved.

10. The Virginia Gas and Oil Board considered a petition from Equitable Production Co., for pooling of a coalbed methane unit VC-504510, Ervinton District, Dickenson Co., VA. VGOB-02-12/17-1108.

The petition was withdrawn by the applicant.

11. The Virginia Gas and Oil Board considered a petition from Equitable Production Co. for pooling of a coalbed methane unit VC-502832, Castlewood District, Russell Co., VA. VGOB-02-12/17-1109.

In the VC-502832 unit, the applicant controls 100% of the coal interests and 83.97% of the gas interests, and seeks to pool the remaining 16.03% of the gas interests. Acreage subject to pooling totals 9.4 net acres in three tracts with multiple unleased heirship owners. There are conflicting claimants and unlocated owners subject to escrow. A permit to drill the unit has been submitted. Pooling was approved.

Other discussion:

Equitable Production Company notified the Board of plans for coalbed methane development which will require a modification of Nora Field Rules.

A proposed guidance document addressing procedures to be used by operators in the drafting of Board orders will be presented to the Board at the January hearing. A final draft will be considered at the February hearing.

The deadline for filing of petitions to the Board for the January 2003 hearing is 5 p.m., December 20,

2002 with the hearing scheduled for 9 a.m., Tuesday, January 21, 2003 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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